

News Release

Details on how the business of the Sector is managed and its related performance are set out below. This information is given on a voluntary basis and from the perspective of the Sector management, as its disclosure is not required by law or regulation.

Electronics

“Comparable Profit in 2Q2015”

FINANCIAL HIGHLIGHTS For the second quarter ended 30 June 2015			
	2015 2Q	2014 2Q	Growth %
Revenue (\$m)	421	388	8
Earnings before interest and tax (EBIT) (\$m)	45.1	47.1	(4)
Other income, net (\$m)	2.7	1.6	74
Finance costs, net (\$m)	(0.9)	(0.5)	(106)
Profit before tax (PBT) (\$m)	46.6	48.2	(3)
Profit attributable to shareholders (\$m)	38.0	39.2	(3)

- Economic Value Added for the first half of 2015 was \$54.4 million

“The Electronics sector achieved comparable profit in 2Q2015. We remain focused to develop new business opportunities and expand our international presence.”

Lee Fook Sun, President

N.B.: All currencies are in Singapore dollars.

Singapore Technologies Engineering Ltd

ST Engineering Hub, 1 Ang Mo Kio Electronics Park Road #07-01, Singapore 567710

T: (65) 6722 1818 F: (65) 6720 2293

www.stengg.com

(Regn. No.: 199706274H)

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Electronics sector unaudited results for the second quarter ended 30 June 2015

	2Q2015 \$'000	2Q2014 \$'000	+ / (-) %
1. (a) Revenue	420,855	388,200	8.4
(b) Cost of sales	(297,999)	(259,005)	15.1
(c) Gross Profit	122,856	129,195	(4.9)
(d) Distribution and selling expenses	(20,905)	(22,363)	(6.5)
(e) Administrative expenses	(36,729)	(40,454)	(9.2)
(f) Other operating expenses	(20,081)	(19,256)	4.3
(g) Profit from operations	45,141	47,122	(4.2)
(h) Other income	2,714	1,563	73.6
(i) Other expenses	-	(5)	(100.0)
(j) Other income, net	2,714	1,558	74.2
(k) Finance income	836	1,259	(33.6)
(l) Finance costs	(1,779)	(1,716)	3.7
(m) Finance costs, net	(943)	(457)	106.3
(n) Share of results of associates and joint ventures, net of tax	(357)	(10)	>500
(o) Profit before taxation	46,555	48,213	(3.4)
(p) Taxation	(8,228)	(8,754)	(6.0)
(q) Profit for the period	38,327	39,459	(2.9)
Attributable to:			
(r) Shareholders of the Company	37,975	39,234	(3.2)
(s) Non-controlling interests	352	225	56.4
	38,327	39,459	(2.9)
2. (a) Profit from operations is arrived at after charging/(crediting) the following:			
Depreciation and amortisation	9,885	8,993	9.9
Write-back of allowance for doubtful debts & bad debts written off, net	(923)	(116)	>500
Allowance for stock obsolescence, net	71	261	(72.8)
(b) Finance costs, net comprises:			
Interest income	836	1,259	(33.6)
Foreign exchange loss, net	(359)	(473)	(24.1)
Interest expenses	(1,420)	(1,243)	14.2
	(943)	(457)	106.3

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	2Q2015 \$'000	2Q2014 \$'000	+ / (-) %
3. (a) Profit for the period [1(q) above] as a percentage of revenue	9.1%	10.2%	
(b) Profit attributable to shareholders [1(r) above] as a percentage of share capital and reserves at end of period	11.2%	12.3%	
4. (a) Revenue reported for first quarter	363,675	375,214	(3.1)
(b) Profit for the period reported for first quarter	31,217	29,157	7.1
(c) Revenue reported for second quarter	420,855	388,200	8.4
(d) Profit for the period reported for second quarter	38,327	39,459	(2.9)
(e) Revenue reported for first half year	784,530	763,414	2.8
(f) Profit for the period reported for first half year	69,544	68,616	1.4
5. (a) There was an underprovision of current tax of \$711,000 and an overprovision of deferred tax of \$1,100,000 in respect of prior years (2Q2014: There was overprovision of current tax and deferred tax of \$815,000 and \$528,000 respectively in respect of prior years).			
(b) There was no disposal of property during the second quarter.			

6. Business Group Information

By Business Group

	Revenue			Profit before Taxation		
	2015 \$'000	2014 \$'000	+ / (-) %	2015 \$'000	2014 \$'000	+ / (-) %
Second Quarter						
Large-Scale Systems Group	95,054	87,009	9.2	12,672	9,157	38.4
Communication & Sensor Systems Group	193,220	200,085	(3.4)	13,999	20,534	(31.8)
Software Systems Group	132,581	101,106	31.1	19,884	18,522	7.4
Total	<u>420,855</u>	<u>388,200</u>	8.4	<u>46,555</u>	<u>48,213</u>	(3.4)

First Half Year

Large-Scale Systems Group	201,053	199,272	0.9	26,062	23,931	8.9
Communication & Sensor Systems Group	352,109	357,463	(1.5)	23,863	25,637	(6.9)
Software Systems Group	231,368	206,679	11.9	31,540	30,950	1.9
Total	<u>784,530</u>	<u>763,414</u>	2.8	<u>81,465</u>	<u>80,518</u>	1.2

	Revenue		
	2Q2015 \$'000	2Q2014 \$'000	

By Geographical Areas

Asia	330,699	308,594	7.2
USA	34,978	31,950	9.5
Europe	23,021	20,771	10.8
Others	32,157	26,885	19.6
Total	<u>420,855</u>	<u>388,200</u>	8.4

By Country of Incorporation

Asia	347,666	317,227	9.6
USA	60,660	58,902	3.0
Europe	3,975	4,509	(11.8)
Others	8,554	7,562	13.1
Total	<u>420,855</u>	<u>388,200</u>	8.4

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7. Review of Performance

(a) Revenue

2Q2015 vs 2Q2014

2Q2015	2Q2014	Growth	
\$421m	\$388m	\$33m	8%

Revenue of \$421 million recorded in 2Q2015 was higher than that of 2Q2014 by 8% or \$33 million. Both **Software Systems Group (SSG)** and **Large-Scale Systems Group (LSG)** recorded higher sales mainly due to higher value project milestone completions. **Communication & Sensor Systems Group's (CSG)** sales were comparable to that of 2Q2014.

(b) Profitability

2Q2015 vs 2Q2014

2Q2015	2Q2014	Growth	
\$46.6m	\$48.2m	(\$1.6m)	(3%)

The profit before tax of \$46.6 million for 2Q2015 was comparable to that of 2Q2014. Notwithstanding higher sales and lower operating expenses, the Sector recorded comparable profit as a result of less favourable sales mix and lower contribution from satellite communication product sales.

8. Prospects

2H2015

Barring unforeseen circumstances, revenue and profit before tax for 2H2015 are expected to be higher compared to 1H2015.

9. Balance Sheet

	30-Jun-15 \$'000	31-Dec-14 \$'000
Property, plant and equipment	174,267	179,704
Associates and joint ventures	9,274	10,297
Investments	9,426	3,963
Intangible assets	321,816	304,545
Long-term receivables, non-current	371	187
Deferred tax assets	27,887	30,023
Derivative financial instruments, non-current	89	-
Non-current assets	543,130	528,719
Current assets	1,188,375	1,265,351
Total assets	1,731,505	1,794,070
Current liabilities	997,805	1,086,428
Non-current liabilities	521,299	510,536
Total liabilities	1,519,104	1,596,964
Share capital and reserves	209,173	191,847
Non-controlling interests	3,228	5,259
Total equity and liabilities	1,731,505	1,794,070
Net current assets	190,570	178,923

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10. Statement of Cash Flows for the second quarter ended 30 June 2015

	2Q2015 \$'000	2Q2014 \$'000
Net cash (used in)/from operating activities	(52,747)	37,269
Net cash used in investing activities	(12,589)	(14,891)
Proceeds from sale of property, plant and equipment	10	126
Purchase of property, plant and equipment	(5,626)	(10,946)
Acquisition of other intangible assets	(2,412)	(4,071)
Investment in an unquoted investment	(5,281)	-
Dividends from an associate and a joint venture	720	-
Net cash from/(used in) financing activities	1,021	(189,411)
Proceeds from a related party loans	7,424	8,092
Repayment of a related party loans	-	(3,684)
Repayment of loans by a related party	50,000	-
Loans to a related party	-	(140,000)
Repayment of lease obligations	-	(1)
Acquisition of non-controlling interests in a subsidiary	(3,000)	-
Dividend paid to shareholder	(53,000)	(52,000)
Dividend paid to non-controlling interests	-	(1,249)
Interest paid	(406)	(205)
Deposits discharged/(pledged)	3	(364)
Net decrease in cash and cash equivalents	(64,315)	(167,033)
Cash and cash equivalents at beginning of period	308,619	491,816
Exchange difference on cash and cash equivalents	(1,393)	(556)
Cash and cash equivalents at end of period	242,911 ¹	324,227 ²

¹ Cash and cash equivalents at the end of 2Q2015 was after deducting \$70.0 million of short term net lending to a related party.

² Cash and cash equivalents at the end of 2Q2014 was after deducting \$140.0 million of short term net lending to a related party.

11. Economic Value Added (EVA)

EVA for 1H2015 was \$54.4 million, a decrease of \$1.4 million or 3% over 1H2014. The weighted average cost of capital was 5.5% for 2015 (2014: 5.6%).

Media Contact:
Michelle Choh
AVP, Corporate Communications
Tel: (65) 64131788
Fax: (65) 64848840
Email: choh.ssushien@stee.stengg.com